

MONTANA BOARD OF HOUSING

All Seasons Inn and Suites
808 3rd Avenue SW, White Sulphur Springs MT
October 6, 2008

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present)
Bob Gauthier (Present)
Jeanette McKee (Excused)
Jeff Rupp (Present)
Audrey Black Eagle (Excused)

STAFF: Bruce Brensdal, Executive Director
Gerald Watne, Multifamily Program Manager
Nancy Leifer, Homeownership Program Manager
Chuck Nemec, Accounting
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray
Peter Nolden, RBC

OTHERS: Greg Dunfield, Pacific Housing Advisors
Nate Richmond, Summit Housing Group, Inc.
Duane Ferdinand, City of Lewistown and LCDC
Burt Buclell, Lewistown
Alex Burkhalter, Sparrow Group
Gene Leuwer, Rocky Mountain Development Council
Lori Davidson, Missoula Housing Authority
Jim Stretz, GK Baum
Ron Trabran, Triple R Investment, LLC
Nick Fluehr, Bank of America
Andrea Davis, homeWORD

Betsy Hands, homeWORD
Jeff Miller, Rocky Mountain Development Council
Kathleen O'Neal, Habitat for Humanity, Billings
Dave Chrismon, Habitat for Humanity, Missoula
Susan McCord, Habitat for Humanity
Kreg Jones, D.A. Davidson & Co.
Gene Richeson, Meagher County Senior Center
Chris Hedrich, Bank of the Rockies
Dave Lewis, Senate District #42
Beth Hunt, Meagher County Senior Center

CALL MEETING TO ORDER

Chairman JP Crowley called to Order at 8:30 a.m.

Betsy Hands introduced Andrea Davis as her replacement as the homeWORD Executive Director.

Beth Hunt, Meagher County Senior Center, invited the Board to come to the Senior Center for lunch and to tour the facility.

APPROVAL OF MINUTES

Betsy moved to approve the September 8, 2008 Board Meeting minutes and Jeff Rupp seconded the motion. The Chairman asked for comments. The minutes were approved unanimously.

MULTIFAMILY PROGRAM

Gerald Watne, the incoming Multifamily Program Manager, provided an update on the Conduit Bond Deals. A TEFRA public hearing was performed. There are a few more Conduit applications in the pipeline for projects in Kalispell and for a project in Whitefish/Columbia Falls area. These applications will be coming before the Board in the coming months.

Gerald provided history of the Housing Recovery Act of 2008 which provided \$230K additional Tax Credits for the 2008 year. There are two options for utilizing these funds for the 2008 year. **Option 1:** Provide an equal distribution of tax credits to each project to assist in the continued development. If any tax credits were to be returned prior to the end of the year, all projects listed above would be funded up to the full amount requested. **Option 2:** Provide full funding to the two projects most critically short of money to make the projects viable for investment. Both of these are eligible for consideration for the 130% boost, for which was the intent of the Housing and Economic Recovery Act of 2008. If any tax credits were to be returned prior to the end of the year, all projects listed above would be funded up to the full amount requested. (Both options include considerations for buildings receiving up to 130% boost.) Jeff Miller, RMDC, stated that their letter requesting \$40k additional tax credits was

omitted from the discussion. It was added at that time for consideration with the remaining projects submitting requests. Betsy Scanlin moved to approve Option 2 which would allow for full funding to the two projects that are eligible for the 130% boost according to the Housing and Economic Recovery Act of 2008. Susan Moyer seconded the motion. The Chairman asked for comments. Susan stated she supported the 130% option for the two projects because of potential funding through other funds for some of the other projects.

Bruce Brensdal mentioned that Jeannette McKee could not attend but asked Bruce to let the board know her support for Option 2 for the same reasons as Susan.

Both Bob Gauthier and Jeff Rupp expressed their concern to treat all the projects fairly with the current economic situation, the Board needs to divide these funds to help all the projects. Jeff stated the Rural Development projects need support from the Board.

Roll Call vote:

Betsy Scanlin – YES

Jeff Rupp – NO

Bob Gauthier – NO

Susan Moyer – YES

Tie vote was decided with Chairman Crowley voting NO on Option 2. Option 2 was not approved.

Bob Gauthier moved to approve Option 1 which would distribute tax credits proportionately to each project to assist in the continued development. It also allows staff to fund each request fully in the event tax credits are returned. Jeff Rupp seconded the motion. The Chairman asked for comments.

Susan moved to amend option 1 to allow staff to adjust funding levels for those projects that have access to other funding sources and requiring the projects use these other sources. Betsy Scanlin seconded the motion. The Chairman asked for comments.

Gene Leuwer, Rocky Mountain Development Council, clarified that his project is allowed to use HOME funds through the county, however; the project is negotiating with the investor and believes if the Board makes such requirements on projects it may have unintended consequences to project financing.

Roll Call vote to amend Option 1 to include potential funding for projects to take into consideration.

Betsy Scanlin – YES

Jeff Rupp – NO

Bob Gauthier – NO

Susan Moyer – YES

Tie vote was decided with Chairman Crowley voting NO on the amended Option 1. Amended Option 1 motion failed.

Roll Call vote for original Option 1

Betsy Scanlin – NO

Jeff Rupp – YES

Bob Gauthier – YES

Susan Moyer – NO

Tie vote was decided with Chairman Crowley voting YES on the original Option 1. Option 1 approved.

Gerald Watne provided the Board with the updated 2008 and 2009 Qualified Allocation Plan which have been approved by the Governor.

FINANCE PROGRAM

Chuck Nemec asked the Board if they had any questions regarding the Underwriter RFQ process. The goal is to have a vote at the next meeting. Staff will bring forth a recommendation.

Jeff Rupp asked counsel for clarification on communication for the board. Pat Melby stated all communications would go to Bruce Brensdal and Bruce would request information from the proposals.

Clarification was made that while Bank of America was in negotiation with Merrill Lynch, at current Bank of America's proposal is to be looked at separately. Betsy requested that all parties submit any changes from proposal due to current economical changes. Bruce will put out a request to everyone asking for an update.

Bruce spoke about the Guaranteed Investment Contracts with AIG. The Board has two investment contracts totally just over \$15 million. The Board requires 102% collateral held with a third party, which is Wells Fargo, to ensure the Board does not lose any money. Due to the financial circumstances with AIG at present, Moody's will not give the Board credit for any money invested with AIG. The concern is that MBOH rating could be affected. The recommendation from staff is to terminate the two contracts with AIG to protect our rating.

Susan Moyer moved to terminate both contracts with AIG and Bob Gauthier seconded the motion. The Chairman asked for comments. Susan feels very strongly that the Board needs to protect the MBOH ratings. Motion was approved unanimously.

HOMEOWNERSHIP PROGRAM

Nancy Leifer provided the bond issue and market update.

Nancy Leifer provided a Homeownership update. HUD performed an audit mid September 2008. We have not received the final determination but the overall audit went well.

Nancy updated the Board on the Delinquency report. Montana is doing quite well compared to the National rates.

Nancy updated the Board on the Set-aside Program. Nancy brought forth a request from Habitat for Humanity. The request is for \$350,000 new allocation for Habitat for Humanity with a new time line. Nancy introduced Dave Chrismon, Kathleen O'Neill, and Susan McCord from Habitat for Humanity. Dave thanked the board for showing support in Habitat for Humanity the last year. Susan McCord spoke of the latest project within Great Falls. Kathleen O'Neill addressed the future needs of Habit for Humanity. The increased need of the program financing reflects the need for affordable housing for families. Bob Gauthier thanked the Habitat for Humanity for their commitment to communities. Nancy stated that through consultation with Mina Choo with RBC that these monies would not significantly affect the overall funding.

Jeff Rupp questioned whether this was a 0% interest loan. Nancy confirmed the request was 0% interest loan but would include a servicing charge. Dave Chrismon clarified that they cannot pass along an interest rate; however, they are willing to look at incorporating an interest rate to these loans in the future.

Betsy Scanlin expressed her gratitude for Habitat for Humanity. She stated that most Habitat for Humanity loans are one generation housing, i.e., the savings are not necessarily passed on to the next family to purchase the house, and suggested looking on how to utilize such devices as land trusts for these projects.

Bob Gauthier moved to approve an additional \$350,000 in set-aside funds and extend the time period for this allocation to July 31, 2009 to Habitat for Humanity. Jeff Rupp seconded the motion. The Chairman asked for comments. Susan Moyer commended the Habitat for Humanity for their work. The motion was approved unanimously.

EXECUTIVE DIRECTOR

Penny Cope provided the Board with the White Paper for their review. HUD is working on linking the white paper on their "Call to Action" website. Betsy Scanlin stated that she would like to see how the current housing crisis will affect the trends reflected within the White Paper in a six-month to a year time frame. Bob Gauthier expressed his gratitude for the great effort on the White Paper.

Penny gave an update on the Montana Housing Search website. Outreach has been made to Billings and Kalispell within the last week. The overall feedback has been very positive.

Penny informed the Board of the upcoming Consolidated Plan meetings being held in Glendive, Billings, Missoula and Great Falls. The Tax Credit training meeting will be this week in West Yellowstone. MBOH will be participating in Habitat for Humanity.

Bruce Brensdal reminded the Board of Mat Rude's retirement from the State of Montana and there will be a retirement party on October 12, 2008.

Betsy Scanlin expressed the need for MBOH to show the next Legislative Session how the funding provided during the last Legislative Session was well spent. Bruce stated he would have Julie Flynn present at the November meeting to provide a status of these funds.

Bruce informed the Board the next meeting would be Tuesday November 18, 2008 in Helena at 9:00 a.m.

Meeting adjourned at 11:25 a.m.

Susan Moyer, Secretary

Date